

Council bills in London, drawn upon the Indian Treasury, at about the legal exchange, subject to the usual charges between gold countries.

The Currency Act of January 26, 1893, provided for the closing of the Indian mints to the coinage of both gold and silver on private account, the government retaining the power to coin silver rupees on its own account. Arrangements were made at the same time for the receipt of gold at the Indian mints in exchange for rupees, at 16 pence per rupee ; for the issue of currency notes in India for gold coin or bullion at the same rate, and for the acceptance of British sovereigns and half sovereigns for government dues at the rate of 15 rupees to the sovereign. It was anticipated that the closing of the mints would in itself give to the Indian Government control of the exchange, by limiting the means of obtaining currency in India to the purchase of Council bills offered by the Secretary of State for India in London; but this proved a fallacy.¹ While the reduction of the stock of currency in relation to the growing demand of business conditions in India could not fail ultimately to raise its value, it was a process which would require time for its fulfilment.

Council drafts were indeed offered in London at 16 pence, but they found no buyers and ultimately the government was compelled to sell them for what they would fetch. The rate in 1893 averaged only 15 pence and fell in 1894 to 14 J- pence and in 1895 to 13 pence. In the meantime the entire cessation of coinage created severe stringency in Indian money markets, where the minimum rate at the Bank of Bengal was 10 per cent, in January, 1898, and rose on February 24th, to 12 per cent. There was some relaxation in these rates after June 16, 1898, and the rate for the busy

¹ Cf. Probyn. It was not till seven months after the mints were closed that the government abandoned the attempt to maintain exchange at sixteen pence, and an eminent economist went so far as to make the naive inquiry whether they would not " move the rate of exchange to the position it held till 1872, in which year the average rate obtained for Indian Council bills was 1 shilling 11.125 pence.—*Indian Coinage and Currency*, 67.